

## COUNCIL POLICY

<b>SUBJECT:</b> PARKS AND RECREATION - FEES AND CHARGES POLICY
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<b>DATE:</b> November 23, 1992 <b>Revised:</b>
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1. That the principles outlined on page 4 to 8 attached be adopted as the philosophical framework for the ongoing development of fees and charges policies and schedules.
2. That the program registration fees generally recover all direct program costs and that the fee be set by dividing these costs by 75 percent of the optimum number of registrants.
3. That the general admission fees use the following percentage formula based on the adult rate set at 100 percent, children - 50 percent, students - 75 percent, seniors - 75 percent, families - two hundred percent.
4. That the degrees of subsidy for facility rental fees, based on User and Function categories, as outlined in the above table, be adopted.
5. That the criteria outlined above be considered by Council in deciding whether to provide a grant to cover all, or a portion of a facility rental fee.

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### Principles Affecting Fees and Charges

The following principles are integral to the Department's Fees and Charges Policy. The principles are consistent with the rationale outlined in the justification for leisure services and they form the philosophical foundation from which specific policy is derived. The principles also provide direction in developing and prioritizing new programs and services with appropriate fees to meet community leisure needs.

#### Justification for Subsidy

##### Indirect Community Benefit:

The philosophical approach to fee subsidy is the same as the philosophical approach to the provision of leisure services as previously described. Both are based on socially worthwhile goals and indirect benefit to all. Leisure Services are justified to the degree they achieve socially worthwhile goals and objectives and provide indirect benefit to the community. Services that go farther in achieving these ends are more worthy of public subsidy and a larger subsidy can be justified.

##### Profitability:

A service may result in indirect benefit to all and thereby justify a subsidy. However, in many cases a subsidy may not be required in order for the service to continue meeting socially worthwhile goals and objectives. In some cases, revenue may be equal to or greater than the cost of providing services, even though users are assessed relatively low use fees that virtually everyone can afford. Indeed, many of the services currently provided by non-profit groups in Saanich are fully financed by users, yet contribute substantially to the greater community good. In such cases, there is no need to subsidize, even though there may be justification for subsidy.

##### Basic Service:

The Department has no obligation to provide, within the constraints of limited available public resource, basic leisure services which meet socially worthwhile goals and objectives and clearly demonstrate a benefit to all residents, as far as is reasonably possible.

##### Cost/Benefit:

Those services which achieve the socially worthwhile goals and objectives to the greatest degree at the least unit cost will be considered highest priority among all basic leisure services.

##### Socially Worthwhile:

The value of a department leisure service shall not be determined solely or primarily by the amount of revenue it produces or the number of participants involved. The value of a department leisure service relates directly to its effectiveness in meeting socially worthwhile goals and objectives which clearly show indirect benefit to the entire community. In some

case such objectives can and will be met using services that cater to narrow range of users, and generate little or no revenue.

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### Degree of Subsidy

#### Private Benefit:

When an individual or select group is the direct beneficiary of a special or exclusive service which may involve instruction or private use, the fees must be paid for in whole, or in substantial portion by the participant group or individual.

#### Public Benefit:

Any leisure services provided by the Department which might be considered over and above the basic services will be provided only on the basis of proportionately greater recovery of cost from the participant to the point where the participant is paying all the true costs of participating. The more a service provides public benefit the more subsidy from general taxation is justified. The more a service provides private benefit to individual users the more the cost is justified to be recovered through user fees. Services of public benefit are defined as those primarily benefiting the community as a whole and where an individual benefit cannot be clearly identified, e.g. open spaces, trails, etc. Services of private benefit are defined as services providing their primary benefit to the individual receiving the service and the community as a whole receives little or no benefit from the service. The majority of the Department leisure services provide mixed benefit. These are services whereby both, the individual receives direct identifiable benefit, and also the community as a whole benefits. The mixed nature of the benefits suggest that these services should be partly funded by the community through tax avenues and partly by user fees.

#### Age/Ability to Pay:

Different rates of admission may be charged, based on the age of the participant. It should be clear, however, that such differentiation by age is not based on the cost of providing the activity to the user or of any discrimination on the basis of age, but rather on the presumed variance (by age group) in ability of the user to pay. Since it is generally true that children have little or no control over funds available to them and since one is basically dealing with discretionary income in leisure services, admission charges for children should be kept at a level whereby almost all children might subscribe to publicly sponsored leisure services without restriction by others. On the other hand, it is assumed that teens generally have more control over funds in that many have their own funds either through allowances or part-time jobs. Consequently, it is assumed while they may not be able to pay adult rates they are capable of paying higher user fees than children. Adults are presumed to have the greatest degree of discretion in allocating funds to leisure services and thus the rates charged them are correspondingly higher. Seniors, on the other hands, are presumed to have less discretionary income because many are on fixed incomes, and consequently, the rates assessed them are more closely aligned with others having restricted powers of discretion.

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Barriers to Participation

## Reverse Subsidy:

Services provided by the Department should be available to all who wish to participate regardless of ability to pay. Setting user fees so high that they are a barrier to a large segment of society is in conflict with the achievement of socially worthwhile goals and objectives. Recreation is an essential service as are education, health or safety services and should be available to all. Higher than optimum fees can result in a reserve subsidy and/or in diminishing returns due to the concept of elasticity of demand. A reverse subsidy occurs when as prices increase, an ever increasing portion of those at the low end of the ability to pay scale are paying taxes to subsidize an ever decreasing proportion of those at the other end of the ability to pay scale that can still afford the higher prices. Most recreational services are considered price elastic. As price increases, consumption or demand will decrease. Therefore, if a reduced public subsidy is pursued through higher fees, the possible corresponding reduction in volume (consumption) may result in an even greater public subsidy being required.

## Fee Variation/Implementation:

Once a fee schedule is determined either through benefit analysis, market survey and/or both, consideration will be given to implementation of the new or revised fee schedule. The Department will be sensitive to the historical expectations and vested interest of the user. Many individual and group activities are structured around existing costs. Significant changes in costs (fees) can have serious impact on their operation and viability. If significant increases in a user fee are desirable, an attempt should be made to phase in the change over a period of time. This softening of the impact is important because change causes stress on the users and therefore, stress on the system in general and could significantly alter patterns, and ultimately, program revenue.

## Economically Disadvantaged:

The fees of programs which meet the community's socially worthwhile goals and objectives should be affordable by the vast majority of the public. Regardless of fee amount, there will be a number of economically disadvantaged in Saanich who live on low incomes and are not able to afford access to Department leisure services. Therefore, a number of strategies are to be developed by the Department to provide access for the economically disadvantaged and their dependents to publicly sponsored leisure services. Strategies to be developed include but are not limited to:

- s Community (Business/Service Club) sponsorship of public recreation activity sessions.
- s Special non-prime time passes to public sessions.
- s Volunteer service opportunities for program privileges.
- s Social agency referrals.

- S Limited use passes.
- S Recreation subsidies based on income levels.

These strategies will continually be developed, evaluated and adjusted accordingly to meet existing community needs.

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### Private Sector

#### Non-Competition:

The Department need only provide a service if the quasi-public or private sector agencies are unable or unwilling to provide these services in a way which meets the community need.

#### Market Rates:

No commercial and/or private interest will be allowed to profit at the expense of Saanich taxpayers. If those groups require a District of Saanich resource (e.g. facility) to meet their own objectives, and those objectives do not overlap with the District=s service objectives, then that private/commercial entity will be charged a rate which is consistent with market rates charged by comparable private/commercial facilities.

#### Potential Partnerships:

In the course of meeting socially worthwhile goals and objectives, the District might contract private sector entities to provide a public service in District facilities.

### Operational Considerations

#### Cost/Benefit

In cases where the cost of collecting the revenue exceeds the revenue collected, no user fees should be charged.

#### Cost Recovery:

A primary objective of a fee program is to minimise the tax subsidy required in the provision of services. To this end the Department will strive to realize the highest cost recovery feasible within its mandate of providing public leisure services. Four factors involved in cost recovery are:

##### Fee:

Should be substantial enough to significantly impact the required tax subsidy without prohibiting the vast majority from participating.

##### Participation:

The greater the participation, both residential and non residential, the Department may either reduce its serviced subsidy through increased

revenues or, reduce the unit participant price necessary to meet a specific program cost.

**Efficiency:**

The degree to which the organization is successful in operating efficiently and effectively correlates to the benefit/revenue potential received for cost expended.

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**Alternative revenues:**

Alternative revenues include activities such as:

- S Add on sales, e.g. food/beverage, retail, etc.
- S sponsorships, both capital development and program operations.
- S advertising, e.g. brochure, facility fixtures, etc.

The Department will endeavour to maximize these alternative revenues with the provision that they neither compromise the integrity of the Municipality in meeting socially worthwhile goals and objectives, and/or, compete directly with the Saanich private and/or commercial sectors.

**Market Equity:**

Saanich Parks and Recreation Department is one of several public agencies offering public leisure services in Greater Victoria. These program and facility services are often comparable between agencies and therefore those fees must remain competitive relative to the surrounding area if Saanich's share of the market is not to diminish.

**Facility Equity:**

Fees and charges will provide for equity of service. Community groups using Department facilities can expect to pay the same proportionate amount of the facilities cost regardless if they play proportionate amount of the facilities cost regardless if they play hockey, figure skate, swim or play baseball. Rental rates for similar spaces within different facilities will also be consistent. Patrons of pre-registered or drop in programs of similar content and quality will also be assured equity in fees.